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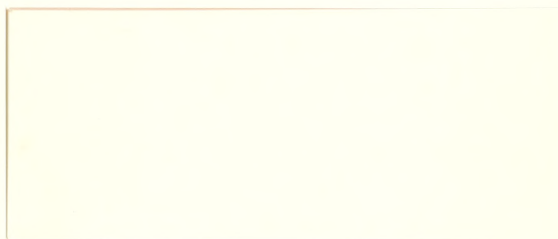
THE EXPROPRIATION CLIMATE
A STUDY OF DYNAMIC MEASURES

Robert M. Heine

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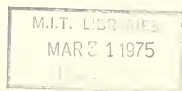
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THE EXPROPRIATION CLIMATE: A STUDY OF DYNAMIC MEASURES

Perhaps no other subject in the realm of international management is so often mentioned and yet so seldom rigorously analyzed as the subject of expropriation and nationalization in less developed countries (LDC). It seems that while most popular articles dealing with investment opportunities in LDC's mention either the occurrence of past expropriations or the likelihood of future actions, a search of the literature produces little in the way of material which might help the operating manager assess the risk of expropriation in a particular country at a particular point in time.¹ The need for a technique which would allow expropriation risk to be analyzed together with the various commercial risks associated with a foreign direct investment is indeed real, and the benefits of an accurate method would accrue not only to the direct investor. The recipient country stands to gain as well from a reliable method of expropriation risk evaluation, for by properly assessing risks, an investor might be convinced that an investment is viable despite his possible previous guess that the risks were just too high. Proper risk assessment, then, can be viewed as helping both the investor make more profitable investments and the LDC attract needed development capital. The purpose of this paper, then, is to take a small step in the direction of expropriation risk analysis by examining the behavior of a few key economic and political variables in the time span immediately preceeding the expropriations of the 1960's.

DEFINITIONS

Before going very far, however, it seems necessary to agree upon a working definition of expropriation and outline the way in which the term is to be used in this paper. For purposes of simplification, expropriation will be used to describe any formal taking of property whether or not compensation is paid. Thus the term expropriation will be used to include acts of confiscation, nationalization, and socialization -- terms which are often used interchangeably with expropriation, yet have much more limited meanings.² Confiscation is the formal taking of property, or expropriation, without compensation, and strictly speaking all expropriations carried out before compensation has been decided could be classified as confiscations. Confiscation has a distinctly pejorative connotation, however, and therefore will not be used since eventual compensation in expropriation cases is not to be a factor in this paper.

Two other terms often used interchangeably with expropriation are nationalization and socialization. While both terms refer to the formal taking or forced sale of property, these terms tell something about the reasons behind the seizure or sale. Nationalization refers to the seizure or forced sale of property for the purpose of limiting control of such property to nationals of the host country. Thus both governmental agencies and private local citizens could become the new owners of a nationalized property. Socialization, on the other hand, means that the property taken has been reserved exclusively for the public sector, and private capital, either local or foreign, is to be excluded. Both nation-

alization and socialization fall under the general heading of expropriation since a formal taking of property is involved in both actions, and to eliminate any definitional problems, the term expropriation will be used throughout this paper.

REVIEW OF THE LITERATURE

A search of the literature on expropriation reveals that most of the work in the area has been devoted to questions of compensation and the initial legal basis for the expropriation act. The list of legal articles is much too long to mention and is, in any case, outside the scope of interest for this paper, for here the main point is the examination of factors which could possibly lead to expropriation rather than a review of courses of action open to the investor after the fact of expropriation. A good review of recent legal action, however, can be found in Monroe Leigh's presentation "Expropriation of Foreign-Owned Investment -- Recent Trends," delivered at the Southwestern Legal Foundation Symposium on International Business in the summer of 1972.³ A review of some of the relevant expropriation laws themselves can be found in Andreas Lowenfeld's Expropriation in the Americas.⁴

The search for material which might help assess the risk of expropriation in an operating situation produces only a limited number of sources. Lee Charles Nehrt, in The Political Climate for Private Foreign Investment, sets forth the hypothesis that the risk of expropriation in a particular country can be evaluated by an accurate analysis of the:

1. Policy statements of political leaders and the government
2. Actions of the government, favorable and unfavorable
3. Historical context within which the statements and actions took place⁵

Nehrt goes on to apply his model in the three North African countries of Tunisia, Algeria, and Morocco, and the apparent success of the model in analyzing the political climate for foreign investment might seem to recommend the model to operating managers. The problem, however, is that the definitions of relevant policy statements, actions, and historical context are so grossly subjective as to allow almost limitless flexibility in the output of the model. The intrinsically subjective nature of the model, when coupled with the vast amount of research necessary to collect and update the relevant policy statements, actions, and historical context seems to limit the usefulness of the model as a planning tool for the operating manager.

The analysis of the political climate of the host country is commonly mentioned as an important part of the planning process designed to evaluate potential sites for foreign direct investment. Farmer and Richman in International Business: An Operational Theory propose a matrix of local and international variables which influence the investment decision, and an analysis of the political-legal environment of the direct investment is an integral part of their matrix. Unfortunately, no specific mention is made of expropriation risk, and no factor or combination of factors is suggested as an aid to the analysis of expropriation risk.

An effort to define the components of expropriation risk is made by Stefan Robock in his article "Political Risk: Identification and Assessment."⁶ Addressing the broader question of political risk, its elements, and its consequences (of which expropriation is only one possible consequence), Robock suggests that "political stability" is too broad and ill defined a concept to use as a factor in analyzing political risk (and therefore expropriation risk), and he feels that ideology and continuity of philosophy are probably much more influential. Frequent changes of government may be unimportant if the basic attitude of each government toward foreign capital remains the same, and therefore only ideological changes may influence expropriation risk.

Robock relies heavily upon political struggles between competing local pressure groups and their international alliances to describe the generation of political risk, but he also mentions the role played by the firm as being a contributing factor. Area of operation, such as natural resources, or field of activity, such as banking, can make a particular foreign firm especially vulnerable to political risk.⁷

The actual analysis of expropriation risk by means of the elements suggested by Robock, although possible, would appear difficult because of the lack of clearly defined relationships and analytical data as supporting evidence. Robock's suggested method of forecasting is very similar to the method described by Robert Stobaugh in "How to Analyze Foreign Investment Climates."⁸

The method entails the creation of a decision tree with each branch reflecting a possible course of action on the part of the local environment which may or may not lead to expropriation. The final output of the method is a number forecast of the probability of expropriation, or other restrictive practice, if that is what the model is designed to predict. The major problem with the model, however, is that both the branch elements and probabilities are undefined, and presumably the international manager is left free to define his own relationships and probabilities. Whether the model merely quantifies an educated guess is therefore open to question.

By far the most comprehensive work on the analysis of expropriation risk is an unpublished Ph.D. thesis by John F. Truitt entitled Expropriation of Private Foreign Investment: A Framework To Consider the Post World War II Experience of British and American Investors. In his thesis Truitt not only creates a system of factors which he suggests influence expropriation risk, but he then tests the factors against the experience of expropriated American and British firms. Truitt's framework is divided into two major areas, the host nation characteristics and the investor characteristics, on the premise that expropriation risk is a function of both sets of characteristics rather than only one of the two. The set of host nation characteristics are the ones of specific interest here since the evaluation of expropriation risk and the eventual prediction of expropriation requires the formal definition of the relevant local factors and their behavior before expropriation. Below is Truitt's set of 12 host nation characteristics:

- N_1 : Gross National Product Set
- N_2 : Ideology of Ascendent Elite
- N_3 : Public Sector/Private Sector Mix
- N_4 : Political Stability-Colonial Heritage & Independence
- N_5 : Political Instability-Continuity of Post Independence Governments
- N_6 : Legal System-Internal
- N_7 : Legal System-External
- N_8 : Balance of Payments
- N_9 : The Domestic Entrepreneur
- N_{10} : View of Foreigners
- N_{11} : Internal Political Crisis
- N_{12} : Communist Bloc Economic Assistance

While Truitt does not claim to have statistically validated the importance of his factors, he does produce a set of 3 factors which he feels are more strongly indicative of high risk than any of the others. These factors are the GNP set (N_1), a combination of elite ideology, public/private sector mix and the domestic entrepreneur (N_2 , N_3 , and N_9), and an internal political crisis requiring some type of drastic action (i.e., nationalization) to maintain the government in power (N_{11}).⁹ Both types of political stability, view of foreigners, and balance of payments (N_4 , N_5 , N_8 , N_{10}) are judged to have medium importance, and the legal systems and Communist aid activity (N_6 dropped, N_7 and N_{12}) are found to have the least value.

The problem with the Truitt classification scheme however, is that the process is essentially a static one, with no defined dynamic relationships which might enable the observer to translate a change in any of the factors into a change in the expropriation risk. The task of this paper, then, is to examine how some of these, or similar, country variables, behave just prior to an expropriation.

For purposes of simplification the analyzed set of expropriations is limited to those actions which are catalogued by the U.S. State Department study Nationalization, Expropriation, and Other Takings of United States and Certain Other Foreign Property Since 1960 (RECS-14) of November 30, 1971. The study covers events from January 1, 1960 to June 30, 1971, and its thoroughness implies that rather than a sample of the expropriations in that time period, the study presents the entire population. The study catalogues some 70 expropriations or forced sale events in some 34 countries involving hundreds of individual private firms. Four of these countries (Kenya, Malawi, Tunisia, and Israel) have been eliminated from this study either because the property in question is non-industrial (i.e., religious or agricultural) or the nature of the ownership change has been so gradual and well received (Kenya) that the forceful, unilateral application of sovereign power implied by expropriation seems inappropriate as a description of events. In addition, the expropriations involved in the Communist revolution in Cuba have also been eliminated so that the strong ideological flavor of those expropriations would not influence the

rest of the data. The remaining thirty countries listed in Table I along with the dates of the expropriation actions make up the points for which the data presented in this study has been collected.

THE STUDY

As stated previously the main purpose of this paper is to investigate the behavior of some key economic and political variables in the time period immediately preceeding the expropriation event. The idea is to produce a set of reliable empiracal data as a first step in the direction of formulating a method for accurately analyzing expropriation risk. As can be seen from the preceeding review of the literature, no such hard data base exists, and some of the key concepts which have traditionally been related to expropriation risk have never been tested.

The central concept around which the variables used here have been selected is the premise that expropriations are carried out by governments when they are weak or feel threatened. Although not explicitly stated, the idea of weakness or threat is central to Robock's thesis that social unrest and competing ideologies are a prime cause of political risk and hence expropriation risk.¹⁰ Truitt's choice of variables, specifically political instability, balance of payments crisis, and internal political crisis, also suggests an underlying theme of weakness and response to threat as a motivation for expropriation. The idea of threat, as suggested by the choice of variables, can be combined with the concept of general weakness alone, for a threat only becomes truly viable if the government is, or feels itself to be, weak.

Expropriation, then, becomes a possible reaction to weakness, a response to a threat, which has acted as a trigger such as social unrest, balance of payments crisis or other political or economic threat. The specific threat or current crisis may be the cause of governmental reaction, but the weakening process which has made that threat viable has been going on for some time. If a set of variables which would monitor this trend toward weakness could be created, it might be possible to generate a warning of an increasing expropriation risk. Such a warning might be more valuable than a perfectly reliable description of the potential threat which would actually trigger expropriation. By the time the triggering threat is on the horizon, the time for possible reaction on the part of foreign direct investors has practically disappeared, whereas if the trend leading to a higher risk of expropriation had been spotted, defensive action might still have been possible.

THE VARIABLES

The variables chosen for the study are the final product of a period of sorting and simplification involving literally hundreds of possible relevant choices. Five economic variables and one political variable split into four dimensions have been chosen for observation because they seem to have the best a priori chance of having some predictive value. These variables are also fairly easy to gather and manipulate, factors which are critical if they are to be easily incorporated into a working model of risk analysis readily usable by the operating international manager.

The first economic variable chosen is the Gross National Product per capita, a fairly standard measure of economic develop-

ment and one which is fairly easy to monitor. Truitt incorporated a measure of GNP per capita into his own model and postulated that a higher propensity to expropriate is to be found among countries with the lowest GNP per capita measure scores.¹¹ While there appears to be value in this hypothesis, another examination of Table I (the expropriating countries) illustrates that all the countries are less developed countries with very low GNP per capita. Therefore, the static measure of GNP per capita has been overlooked in favor of the dynamic measure of economic performance: annual percentage change in GNP per capita at constant prices.

The hypothesis relating to this variable is that the lower the rate of growth, the more likely is the possibility of expropriation. It is assumed that a declining rate of growth in GNP per capita in the years prior to expropriation would indicate a worsening economic situation which might weaken the regime in power and raise the risk of expropriation.

The second variable is the rate of inflation in the consumer price index. This measure is included to monitor the success of local government's economic performance. Robock mentions "social unrest" as a contributing factor in political risk, and Truitt places great weight on the emergence of a domestic political crisis in the host country prior to expropriation.¹² Both these measures are difficult to quantify and monitor for an operating manager, and so inflation has been substituted under the assumption that high inflation most certainly could be associated with social unrest and political crisis. The hypothesis relating to inflation, then, is that high and increasing rates of inflation in the years

prior to expropriation increase the risk of expropriation.

The third economic variable is the percentage change on a yearly basis of the net goods and services traded by each country and as reported to the International Monetary Fund. Both the IMF annual Balance of Payments Handbook and the monthly International Financial Statistics provide a ready source for this and the next two economic variables. The object of including changes in net trade figures is to attempt to gauge the improvement or deterioration over time in a country's balance of payments position. The rationale for including a balance of payments measure is the idea that foreign direct investors, as consumers of foreign exchange for new capital imports and profit repatriation, can often strain a developing country's balance of payments position. Truitt also includes a balance of payments measure in his study, but rather than follow his approach of concentrating on a single crisis period as the expropriation trigger, the hypothesis here is that a worsening trade situation over time will increase the overall risk of expropriation. The predicted relationship is then one which has a larger and larger percentage of the sample showing trade decreases as the year of expropriation approaches.

The fourth economic variable is the annual rate of change of private direct and long-term investment flowing into the country in question. The rationale behind a choice of direct investment flows, beyond a desire on the one hand to investigate the behavior of these flows before an expropriation, is the idea that foreign domination of the local economy is an important variable. Truitt

mentions the public/private sector mix and the opinions of the domestic entrepreneur as variables having a strong influence on the expropriation decision, and Robock mentions a similar relationship.¹³

Annual percentage change figures have been used to make the figures comparable on a cross-national basis, and the change figure is felt to better represent the changing impact of foreign capital over time than a measure of static investment levels. The proposed relationship is one which connects a rising rate of private direct and long-term investment with an increased chance of expropriation. High rates of foreign capital inflow might, therefore, be associated with increasing foreign domination of the local economy.

The last economic variable is what the IMF refers to as unrequited government transfers. The annual percentage change figure has again been used, and the measure itself represents direct grants to the local government and is therefore directly related to the idea of foreign aid. Since unrequited transfers do not include loans, they unfortunately do not represent the entire foreign aid picture. The IMF figures which cover government loans, however, also include loans from such private international aid sources as the World Bank and regional development banks. The transfer figure has therefore been used by itself as an attempted measure of foreign aid on a nation to nation basis, excluding the effects of aid from the international institutions. The importance of foreign aid is also supported by Truitt and

Robock, and the hypothesis to be examined is that increasing foreign aid might be related to an increasing possibility of expropriation by an implied decline in the importance of private capital as a development vehicle. Unfortunately, no figures readily available for all the countries in the study enable an examination that a shift in the origin of the foreign aid (East Bloc vs. Western Nations) might have upon expropriations, and analysis of this factor is to be left for future study.

The main political variable is a change in government leadership or regime, and the variable is divided into four dimensions. Political change is included in the study to examine the hypothesis that political instability, in terms of frequency of regime change, is related to expropriations, a connection doubted by Robock.¹⁴ Any given change is classified four ways, as being either regular or irregular and either left or right ideologically. The dimensions of the change should shed light on the premise that a leftward moving regime is more likely to expropriate than a regime which has moved to the right, and the regular/irregular dimension is designed to determine whether a coup d'etat is more likely than an elected change to produce an expropriation. The distinction of regular/irregular can sometimes be quite subjective, but the scale in use here is one of the presence or absence of the use of force of arms to implement a change of regime. Thus a peaceful change within a military dictatorship would be a regular change and an army coup, even to restore popular government, would be classified as irregular.

The rating of change on an ideological scale is also a complicated, highly subjective process, but the problem here is simplified since incoming regimes are judged only against their predecessors rather than on some type of international scale of ideological allegiance. The directions of the political spectrum used here follow the schema used by Lerner in The Passing of Traditional Society with left indicating an overriding concern for social problems and the right primarily concentrating on the glory of the nation state.¹⁵ Left is also used to imply a greater degree of participatory input in the process of government while right is used to denote a more authoritarian type of rule. The actual scoring of regime changes on this four-dimensional framework has been accomplished by the use of expert opinion but mainly by consulting reference works devoted to the countries in question. The references themselves are listed in the bibliography.

There are thus three economic variables which are intended to measure directly the economic strength or weakness of the expropriating countries in the years prior to expropriation. Annual rates of real (deflated) GNP per capita growth, inflation, and trade growth in goods and services are designed to measure just how well the economies of these countries have been behaving. The variables designed to measure investment flow and foreign aid, on the other hand, have been included to determine just what did happen in these areas before expropriation, more for the purposes of explanation than to validate any particular theory.

The political variable, regime change, is designed to answer a number of questions. How important is an ideological change in expropriation? How long have the regimes been in power? Is frequency of regime change important? Is a coup d'etat more likely to produce an expropriation than an elected change? Hopefully, the data will enable these and other questions to be answered.

THE METHOD

A time series method of data collection is used in this study, because one of the goals is the preservation of details which might be lost by merely averaging the data over the time span of the study (1960-1971). There is, therefore, no one time period for which data has been collected; rather the variables have been monitored in each of the five years preceeding each expropriation act in an effort to capture the dynamics of the situation.

For the thirty countries listed in Table I, forty-nine separate expropriation actions can be identified as having occurred during the period under examination. These actions are separated on an annual basis, and the relevant economic and political data has been assembled for the year of expropriation and each of the four preceding years. This data is displayed in Tables II, III, IV, V, and VI. By so centering on the expropriation action as the focus of the data collection effort, it is hoped that the influence of changing regional and international economic and political cycles has been minimized.

THE RESULTS

The first factor to be examined is regime change, the measure of political stability. Table VII shows the number of changes in each of the five years preceding the expropriations, and there are two factors which appear to predominate. The first is the fact that the number of regime changes peaked the year before the expropriations, which could support the hypothesis that political instability, as measured by the frequency of regime changes, is an important variable in evaluating expropriation risk. A second result is the slight leftward movement of the changes themselves. Some 59% of the changes were to the left while only 41% were to the right. Proof for the hypothesis that governments which have moved to the left are more likely to expropriate would seem shaky at best given such a small difference, but a different principle of examination produces drastically different results.

By reviewing the data the character of the last governmental change preceding each expropriation can be determined and is displayed in Table VIII. Here governments which have moved to the left outnumber those shifting to the right by almost 4 to 1. The message here seems fairly clear: that a leftward shift in the leadership of a country is much more closely associated with expropriations than moves to the right. The almost 50/50 split between regular and irregular regime changes appears to remove this variable from the realm of possible expropriation predictors, indicating that faith placed by the foreign investor in a military coup as less likely to expropriate is perhaps misplaced.

A further analysis of the political change data produces an extremely interesting result. An investigation of the length of time the expropriating government has been in power produces the data presented in Table IX. The implications of these longevity figures are important because they tend to discount rather heavily the notion that political instability is related to expropriations. Only 27% of the governments acted to expropriate within their first year of office meaning that in almost 3/4 of the cases the foreign investor had over a year after a governmental change to formulate his plans. Equally striking is the fact that only 49% of the expropriation actions took place in the first 2 years of a regime with over half of the actions taking place more than 2 years after a regime change. The time lags appear to be significant, for rather than supporting the notion that political instability is related to expropriation, they suggest the opposite notion that political stability might play more of a role.

The bivariate nature of the regime longevity figures of Table IX, with half of the countries acting to expropriate within two years, suggests that different mechanisms might be at work in each half of the sample. In order to investigate this hypothesis the assembled economic data has been analyzed in three groups: for all of the expropriation situations together, for those which occurred within two years of a regime change and for those which occurred more than two years after a regime change.

The distribution of GNP per capita growth over the five years preceding the expropriations is displayed in Table X. For the

sample as a whole, the downward trend of GNP per capita growth figures seems to support the hypothesis of action from a position of weakness. A slowdown in the economic growth of a country (as measured by GNP per capita), while not conclusive proof of economic deterioration, certainly points in that direction.

The fairly clear downward trend of the aggregate figures seems to lose much of its meaning, however, when the sample is divided into long-term and short-term regime types. The figures for both long-term and short-term regimes are so divergent and the movements so erratic that any attempt to find meaning in the figures may create more problems than they would solve. The overriding impression of this divided data format, however, is that support for the action from weakness hypothesis is not as strong as might be expected. In fact, one could point to the rising GNP per capita growth rate in the last few years of both the data subsets as support for the opposite hypothesis. Thus the growth rate improvement in the last two years of the short-term regimes and in the last three out of four years for the longer term regimes could be taken to indicate an economic improvement strengthening the countries involved and allowing expropriation action from a position of strength.

This lack of firm support for the action from weakness hypothesis is repeated in the figures for rates of inflation, illustrated in Table XI. If it is assumed that high rates of inflation would contribute to the social unrest which Robeck feels elevates the risk of expropriation, one might expect the rates of inflation in the expropriating countries to rise prior to expropriation.

In fact the opposite is the case. The inflation figures, though high, decrease in each of the three years leading up to and including expropriation. The lowering inflation seems to indicate that the regimes, while not necessarily responsible for the decline, might at least take credit for the improvement. The thrust of the data is a suggestion of a strengthening political picture and contradiction rather than support for the action from weakness hypothesis.

The performance of the balance of payments measure of net goods and services is illustrated in Table XII. Because of the high variation of the annual growth figures (from 0 to plus or minus several thousand percent) Table XII represents not the growth rates themselves, but the percentage of the cases having a positive growth rate. Some detail is undoubtedly lost in such a presentation, but given the large swings in the data, the value of the detail so lost can be legitimately questioned. The results of Table XII are striking, to say the least. While the performance of the sample as a whole indicates an improvement in the year just prior to expropriation (in line with the strength hypothesis), the divided sample diverges drastically.

The short-term regime cases exhibit a steady improvement in the net goods and services picture (if the earliest year, T-4, is neglected in both cases), while the opposite prevails for the long-term regime cases. Thus a worsening trade situation, signifying a deteriorating balance of payments position, is exhibited only by those countries with regimes in power for two or more years prior to expropriation. It would seem that only half the

sample supports the hypothesis of expropriation action from a position of weakness, if a deterioration in a nation's trade picture can be said to contribute to weakness. The slight drop in the trade measure in the year of expropriation for the short-term regimes might be said to indicate a possible weakening, but the main thrust of the data suggests two completely different mechanisms involved in the divergence. A full analysis of the reasons for the divergence is beyond the scope of this short investigation, but the fact that such a divergence exists raises serious doubts as to the ability of the action from weakness hypothesis to explain the timing of expropriations. Surely the steady improvement for the countries with short-term regimes cannot be taken to indicate weakness, and yet one might realistically expect that the newest regimes might be the weakest. Curiously, the opposite hypothesis, that of action from strength, might serve as a better explanation for the actions of the short-term regimes. A steadily improving trade picture may so strengthen the economic picture of a country that future foreign investment may not seem as important as it once did. A new regime might, therefore, feel strong enough to carry out expropriations, a course of action which might have been avoided given less favorable economic data.

The divergence of the trade patterns in the two sets of countries, by highlighting the difference between the short-term and long-term expropriating regimes, actually seems to help the cause of expropriation risk analysis rather than hinder it. The fact that longer term regimes have been in power for more than

two years before an expropriation means that firms operating in these countries had sufficient time to become accustomed to the regimes and learned to predict their probable future actions. This length of time to develop a familiarity with the regime implies that the firms were not taken by complete surprise by the eventual decision to expropriate. Franklin Root provides support for this suggestion when he reports that one of his studies found that the expropriated firms did indeed receive some warning of the impending action.¹⁶

The only situation where major uncertainty is involved, then, is immediately after a regime change when the lifetime and policies of the new regime are still uncertain. The suggested predictive technique involves an examination of the trend in trade figures as measured by the IMF net goods and services. Since expropriations occurring within two years of a regime change took place in countries with an improving trade measure (on average), a deteriorating trade picture in the country in question could suggest a low risk of expropriation following a regime change.

The behavior of private foreign capital and foreign aid flows is shown in Tables XIII and XIV. The presentation of the data is in the same form used for the net goods and services; the data represents the proportion of the sample which exhibited an increase in the measure in that particular year. While the general trend for private investment is down while the trend of aid is up as the year of expropriation approaches the movements are erratic and difficult to characterize.

The downward drift of private investment flows might be said to refute the relationship previously postulated that high investment rates would be associated with expropriation. This is because of pressure by local entrepreneurs and other local forces to slow the flow of foreign capital out of fear of competition or domination of the local economy by foreign businessmen. The downward drift might be more profitably associated with a perception of increased risk on the part of foreign capital sources. The fact remains, however, that if the perception of increased expropriation risk on the part of foreign capital owners does account for the higher rates of capital withdrawal, one could reasonably expect large capital outflows before an expropriation. Foreign exchange restrictions on the part of the host countries could explain the lack of massive private capital withdrawals (a detailed examination of local foreign exchange restrictions is beyond the scope of this study), but in any case the data does not suggest any large private capital flight. This lack of decisive capital movement could be an indication that private foreign investors had not properly assessed the risk of expropriation.

The slight rise in foreign aid represented in Table XIV seems to fit with the hypothesis that increasing aid might be associated with risk of expropriation because foreign aid could lessen the dependence on foreign private development capital. In fact, the rise in the foreign aid measure, when coupled with the fall in private investment, may indicate that this type of parallel movement is an indication of higher risk of expropriation. An

increasing rate of foreign aid could be viewed as compensating for an outflow of private capital, and lessening the value of private capital as an ingredient in the economic development formula. Such a perception of a diminished role for private capital could indeed lead to a higher risk of expropriation.

CONCLUSIONS

The goal of this study as initially stated was to examine the behavior of certain economic and political variables in the time period preceding expropriations. The results of the study are displayed in Tables II through XIV; the actual behavior of the variables may seem to raise more questions than the data can answer. The overall impression, however, is that this particular set of variables lends only limited support to the hypothesis that expropriations are carried out by countries from a position of weakness. In fact, the data often seems to support the opposite hypothesis, that of action from a position of strength. The improvement in GNP per capita growth rates in the long-term regime countries, the general decline in inflation, and the improvement in trade for the short-term regime countries can all be cited as support for the opposing hypothesis. Indeed, action from strength has a good deal of theoretical value when it is realized that the act of expropriation leaves a less developed country open to retaliation from the capital exporting countries. The less developed country might not be willing to force this retaliation unless it felt itself to be dealing from a position of strength; and the long list of expropriating countries, including as it does about half of the Third World countries, lends support to Kindle-

berger's thesis that the balance of power appears to be shifting from the side of the foreign investor to the side of the local country.¹⁷ If such a shift is indeed taking place, and the current international basic commodity shortage seems to lend even more support, then one might expect to see even more expropriations in the future. With this pessimistic prognosis in mind, it is hoped that the relationship uncovered between short-term regimes and an improving trade picture as well as the other data presented here can be of some use in the continuing effort to accurately assess the risk of expropriation.

TABLE I

LIST OF COUNTRIES AND DATES OF EXPROPRIATION ACTIONS

<u>Country</u>	<u>Date</u>	<u>Country</u>	<u>Date</u>
Argentina	1963	Syria	1965
Bolivia	1969 1971	U.A.R. (Egypt)	1961 1963
Brazil	1959 1962	Yemen (P.D.R.)	1969
Chile	1970 1971	Burma	1963 1964
Ecuador	1970	Cambodia	1967
Guyana	1971	Ceylon	1962 1964
Haiti	1964	India	1971
Mexico	1960 1965 1967 1969	Indonesia	1964
Peru	1968 1969 1970	Congo	1970
		Dahomey	1969
		Guinea	1961
Algeria	1967 1969 1971	Sierra Leone	1970
		Somalia	1970
Iraq	1961 1963 1964	Sudan	1970
		Tanzania	1967 1971
Libya	1969 1970 1971	Uganda	1970
		Zaire	1966
		Zambia	1969 1970

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TABLE II - DATA FOR YEAR T₀, YEAR OF EXPROPRIATION EVENT
Annual Percentage Change of Economic Variables and Number of Political Regime Changes

Country&Expro.Yr	GNP	Infl.	Trade	Dir. In.	F.Aid	Reg.L	Irr.L	Reg.R	Irr.R
Argentina	63	- 6.1	+24.0	+186	- 88	+ 18	1	0	0
Bolivia	71			- 89	+ 48	+108	0	0	1
Bolivia	69	+ 1.7	+ 2.0	+ 7	-408	0	0	1	1
Brazil	62	+ 3.6	+22.0	- 64	- 30	+156	0	0	0
Brazil	59	+ 4.0	+37.0	- 28	+ 17	+ 67	0	0	0
Chile	71	+ 7.6	+20.0				0	0	0
Chile	70	+ 0.9	+32.0	-2000	- 53	-100	1	0	0
Ecuador	70		+ 5.0	0	+ 20	+ 18	0	0	0
Cuyana	71		+ 1.7	+ 68	- 824	+100	0	0	0
Haiti	64	- 3.0	+ 8.7	-100	+ 274	- 10	0	0	0
Mexico	69	+ 2.4	+ 3.4	+ 20	+ 49	0	0	0	0
Mexico	67	+ 2.6	+ 3.6	- 62	+ 57	- 50	0	0	0
Mexico	65	+ 2.8	+ 3.4	+ 3	- 70	+100	0	0	0
Mexico	60	+ 4.0	+ 5.9	- 98	-142	+ 13	0	0	0
Peru	70	+ 5.8	+ 5.0	+497	- 262	+ 93	0	0	0
Peru	69	- 1.9	+ 6.1	+ 49	+571	- 6.5	0	1	0
Peru	68	- 1.9	+ 19	+ 82	- 88	+ 82	0	0	0
Algeria	71			- 9.8	-300	+1533	0	0	0
Algeria	69			- 97	- 39	+ 83	0	0	0
Algeria	67		+ 1.0	+ 38	+153	- 47	0	0	0
Iraq	64	+ 14	- 1.3	- 67	+ 32	-177	0	0	0
Iraq	63	+ 5.3	+ 3.9	+276	- 54	+111	0	1	0
Iraq	61	+ 5.8	+ 1.6	-129	-104	+ 51	0	0	0
Libya	71	- 0.1	- 3	+ 19	- 67	+ 20	0	0	0
Libya	69			+ 84	- 64	+ 4.2	0	0	0
Libya	68	+ 9.3	+ 8.1	+ 23	+270	- 42	0	1	0
Syria	65	- 1.2	- 3.8	+130	-100	+225	1	0	0
UAR/Egypt	63	+ 8.3	+ 1.0	+ 23	-229	-111	0	0	0
UAR/Egypt	61	+ 0.9	0	- 85	- 87	- 44	0	0	0
Yemen P.D.R.	69			+ 10	+100		1	0	0
Burma	64	- 3.3		-426	+103	- 43	0	0	0
Burma	63	+ 2.6	- 2.0	- 21	-4200	+ 28	0	0	0
Cambodia	67		0	+ 88	+1100	- 73	0	0	0
Ceylon	64	- 5.0	+ 2.9	- 10	- 77	+ 77	0	0	0
Ceylon	62	+ 2.2	+ 1.0	- 39	- 83	- 10	0	0	0
India	71		+ 2.9	- 50	+ 4	+ 11	0	0	0
Indonesia	64	+ 2.0	+105.0	- 7	+150	- 8	0	0	0
Congo	70		+ 1.5	+ 23		0	0	0	0
Dahomey	69			+ 3	+ 76	- 27	0	0	1
Guinea	61						0	0	0
Sierra Leone	70	- 0.4	+ 7.5	- 62	- 10	+ 10	0	0	0
Somalia	70			+ 23	+ 96	+ 20	0	0	0
Sudan	70			- 31	+ 67	+236	0	0	0
Tanzania	71	- 0.9	+ 4.2	- 51	+ 66	+ 6	0	0	0
Tanzania	67	+ 1.8	+ 1.8	-106	-164	+239	0	0	0
Uganda	70	- 0.8	+ 9.4	+797	-445	- 40	0	0	0
Zaire	66		+16.0	+114	+ 41	- 25	0	0	0
Zambia	70	- 8.9	+ 3.0	- 55	-854	- 50	0	0	0
Zambia	69	+18.3	+ 2.1	-1665	-120	+100	0	0	0

Key: Expro.Yr.: Year of Expropriation event * F.Aid: Annual % change in net
 GNP: Annual % change of GNP/capita unrequited transfers
 Infl.: Annual % rate of inflation * Reg.L: Regular regime change to left
 Trade: Annual % change of net trade * Irr.L: Irregular regime change to left
 in goods and services * Reg.R: Regular regime change to right
 Dir. In.: Annual % change in net * Irr.R: Irregular regime change to right
 foreign direct investment *

Sources: IMF Balance of Payments Yearbook, International Financial Statistics, U.N. Statistical Yearbook-see Bibliography for political sources.

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TABLE III - DATA FOR YEAR T-1, ONE YEAR BEFORE EXPROPRIATION EVENT
Annual Percentage Change of Economic Variables and Number of Political Regime Changes

Country/Expro.Yr.	GNP	Infl.	Trade	Dir. Inv.	F. Aid	Reg. L	Reg. R	Reg. L	Reg. R
Argentina	63	- 4.8	+ 28.0	+ 59	+ 66	+ 42	0	0	0
Bolivia	71		+ 4.0	+ 55	+ 130	- 64	0	1	0
Bolivia	69	+ 5.2	+ 5.0	- 33	+ 197	- 45	0	0	0
Brazil	62	+ 4.7	+ 38.0	+ 45	+ 105	- 6	1	0	1
Brazil	59	+ 3.1	+ 15.0	+ 7	- 17	- 25	0	0	0
Chile	71	+ 0.9	+ 32.0	- 2000	- 53	- 100	1	0	0
Chile	70	+ 0.9	+ 31.0	+ 103	- 43	0	0	0	0
Ecuador	70		+ 6.2	- 74	+ 50	- 18	0	0	0
Guyana	71		+ 3.5	- 49	+ 78	- 100	0	0	0
Haiti	64	- 3.8	+ 5.3	+ 50	- 261	+ 25	0	0	0
Mexico	69	+ 4.2	+ 1.8	- 19	+ 6	- 100	0	0	0
Mexico	67	+ 3.6	+ 3.8	+ 2	+ 76	+ 100	0	0	0
Mexico	65	+ 8.0	+ 2.0	- 107	+ 117	- 186	0	0	1
Mexico	60	0	+ 2.0	+ 20	- 32	+ 167	0	0	0
Peru	69	- 1.9	+ 19.0	+ 82	- 88	- 7	0	1	0
Peru	68	- 1.8	+ 10.0	- 26	- 48	+ 31	0	0	0
Algeria	71			+ 27	+ 63	- 45	0	0	0
Algeria	69			- 165	+ 29	- 37	0	0	0
Algeria	67		+ 1.9	+ 31	+ 50	+ 311	0	0	0
Iraq	64	- 5.3	+ 3.9	+ 276	- 54	+ 111	0	0	0
Iraq	63	+ 9.9	+ 0.6	+ 184	- 7344	- 24	0	0	0
Iraq	61	- 18.6	+ 24.0	- 147	- 42	- 50	0	0	0
Libya	71	+ 0.9		+ 64	0	+ 4	0	0	0
Libya	70	+ 9.3	+ 8.1	+ 29	+ 270	- 42	0	1	0
Libya	69	+ 30.0	+ 5.1	+ 130	- 526	- 8	0	0	0
Syria	65	+ 4.0	+ 6.0	- 1100	+ 330	+ 33	1	0	0
UAR/Egypt	63	+ 4.2	- 3.0	- 116	+ 43	+ 44	0	0	0
UAR/Egypt	61	+ 5.6	+ 1.0	+ 30	+ 144	- 289	0	0	0
Yemen, P.D.R.	69			- 70	- 100	0	0	0	0
Burma	64	+ 2.6	- 2.0	- 21	- 4200	+ 28	0	0	0
Burma	63	+ 1.7	- 1.9	+ 571	+ 81	+ 57	0	1	0
Cambodia	67	0	- 0.9	- 147	- 98	+ 140	0	0	0
Ceylon	64	+ 6.4	+ 3.0	- 24	+ 477	+ 16	0	0	0
Ceylon	62	- 2.1	+ 1.0	+ 57	- 505	- 22	0	0	0
India	71		+ 5.6	- 32	+ 38	+ 23	0	0	0
Indonesia	64	- 2.9	+ 17.0	+ 9	- 17	- 28	0	0	0
Congo	70		- 0.8	+ 12			0	0	0
Dahomey	69			+ 17	+ 92	+ 2	1	0	0
Guinea	61						0	0	0
Sierra Leone	70	+ 3.2	+ 3.9	- 123	+ 80	+ 36	0	0	0
Somalia	70			- 6	- 8	- 46	0	1	0
Sudan	70	- 12.5		+ 46	- 100	+ 8	0	0	0
Tanzania	71	+ 1.7	+ 2.5	- 390	- 8	- 40	0	0	0
Tanzania	67	+ 10.0	+ 5.6	+ 28	+ 297	- 153	0	0	0
Zambia	70	+ 6.8	+ 12.1	- 42	- 700	- 40	0	0	0
Zaire	66		- 2.2	- 163	- 84	+ 7	1	0	0
Zambia	70	+ 18.3	+ 2.1	+ 1665	- 120	+ 100	0	0	0
Zambia	69	+ 1.6	+ 10.9	+ 167	+ 983	- 100	0	0	0

Key: Expro.Yr.: Year of Expropriation event
 GNP: Annual % change of GNP/capita
 Infl.: Annual % rate of inflation
 Trade: Annual % change of net trade in goods and services
 Dir. Inv.: Annual % change in net foreign direct investment
 * F.Aid: Annual % change in net unrequited transfers
 * Reg.L: Regular regime change to left
 * Irr.L: Irregular regime change to left
 * Reg.R: Regular regime change to right
 * Irr.R: Irregular regime change to right

Sources: IMF Balance of Payments Yearbook, International Financial Statistics, U.N. Statistical Yearbook-see Bibliography for political sources.

TABLE IV - DATA FOR YEAR $t-2$, TWO YEARS BEFORE EXPROPRIATION EVENT
Annual Percentage Change of Economic Variables and Number of Political Regime Changes

Country&Expro.Yr.	GNP	Infl.	Trade	Dir. In.	F.Aid	Reg.L	Irr.L	Reg.R	Irr.R
Argentina	63	+ 6.1	+ 14.0	- 189	- 68	+ 100	0	0	0
Bolivia	71	+ 1.7	+ 2.0	+ 7	- 408	0	0	1	0
Bolivia	69	+ 2.7	+ 12.0	- 27	+ 61	- 41	0	0	0
Brazil	62	+ 1.9	+ 35.0	- 63	- 57	- 246	0	0	0
Brazil	59	+ 4.3	+ 19.0	-1525	+ 38	0	0	0	0
Chile	71	+ 0.9	+ 31.0	+ 103	- 43	0	0	0	0
Chile	70	+ 1.1	+ 27.0	- 76	+ 412	- 25	0	0	0
Ecuador	71	+ 4.6	- 94	+ 48	+ 10	0	0	1	0
Guayana	71	+ 1.8	+ 23	+ 6	0	0	0	0	0
Haiti	64	+ 5.3	- 1.1	+ 37	+ 113	- 77	0	0	0
Mexico	69	+ 2.6	+ 3.6	- 62	+ 57	- 50	0	0	0
Mexico	67	+ 2.8	+ 3.9	+ 3	- 70	+ 100	0	0	0
Mexico	65	+ 2.0	+ 1.0	- 27	- 11	- 147	0	0	0
Mexico	60	+ 2.0	+ 11.0	+ 8	- 3	- 50	1	0	0
Peru	70	- 1.9	+ 19.0	+ 82	- 89	+ 82	0	0	0
Peru	69	- 1.8	+ 10.0	- 26	- 48	+ 31	0	0	0
Peru	68	+ 3.8	+ 9.3	- 54	- 26	+ 18	0	0	0
Algeria	71		- 97	- 39	+ 83	0	0	0	0
Algeria	69		+ 38	+ 153	- 47	0	0	0	0
Algeria	67		+ 5.0	- 49	+ 159	- 57	0	0	1
Iraq	64	+ 9.9	+ 0.6	+ 184	-7344	- 25	0	0	0
Iraq	63	+ 5.8	+ 1.6	- 129	- 104	+ 51	0	0	0
Iraq	61	-13.7	+ 17.0	- 32	+ 128	- 224	0	0	0
Libya	71	+ 9.2	+ 8.1	+ 32	+ 270	- 42	0	1	0
Libya	70	+30.0	+ 5.1	+ 130	- 526	- 8	0	0	0
Libya	69	+ 7.0	+ 3.5	+ 26	- 143	- 100	0	0	0
Syrie	65	0	+ 2.0	+ 117	- 340	+ 11	0	1	0
UAR/Egypt	63	+ 0.9	0	- 85	- 87	- 46	0	0	0
UAR/Egypt	61	+ 7.0	0	- 123	-1840	+ 583	0	0	0
Yemen,P.D.R.	69		+ 2.8	+ 57		1	0	0	0
Burma	64	+ 1.7	- 1.9	+ 571	+ 81	+ 57	0	1	0
Burma	63	- 0.9	+ 3.0	- 83	+ 82	- 34	0	0	0
Cambodia	67	+ 2.0	+ 3.9	+ 48	+1650	- 75	0	0	0
Ceylon	64	+ 2.2	+ 1.0	- 39	- 83	- 10	0	0	0
Ceylon	62	+ 4.4	- 1.0	- 23	+ 123	+ 20	0	0	0
India	71		0	+ 45	- 129	+ 256	0	0	0
Indonesia	64	- 2.8	+171.0	+ 54	+ 209	- 40	0	0	0
CONGO	70		+ 3.8	+ 2		0	1	0	0
Dahomey	69			- 42	+ 8	+ 18	0	0	1
Guinea	61					0	0	0	0
Sierra Leone	70	+11.5	+ 0.8	+ 79	- 21	- 12	1	0	0
Somalia	70			+ 4	+ 4	+ 61	0	0	0
Sudan	70	+17.2		- 6	+ 100	- 152	0	0	0
Tanzania	71	0	+ 0.8	+ 207	+1063	+ 329	0	0	0
Tanzania	67	0	+ 5.9	- 123	- 57	+ 68	0	0	0
Uganda	70	+ 9.3	- 3.1	+ 74	- 108	+ 45	0	0	0
Zaire	66		+ 37.0			0	0	1	0
Zambia	70	+ 1.6	+ 10.9	+ 167	+ 983	- 100	0	0	0
Zambia	69	+ 2.4	+ 4.9	- 86	+ 100	+ 100	0	0	0

Key: Expro.Yr.: Year of Expropriation event * F.Aid: Annual % change in net
GNP: Annual % change of GNP/capita * unrequited transfers
Infl.: Annual % rate of inflation * Reg.L: Regular regime change to left
Trade: Annual % change of net trade * Irr.L: Irregular regime change to left
in goods and services * Reg.R: Regular regime change to right
Dir. In.: Annual % change in net * Irr.R: Irregular regime change to right
foreign direct investment *

Sources: IMF Balance of Payments Yearbook, International Financial Statistics, U.N. Statistical Yearbook-see Bibliography for political sources.

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TABLE V - DATA FOR YEAR T-3, THREE YEARS BEFORE EXPROPRIATION EVENT
Annual Percentage Change of Economic Variables and Number of Political Regime Changes

Country/Expro.Yr	GNP	Infl.	Trade	Dir. In.	F.Aid	Reg.L	Irr.L	Reg.R	Irr.R
Argentina	63 + 5.4	+ 27.0	-1345	+ 110	+ 20	0	0	0	0
Bolivia	71 + 5.2	+ 5.0	- 33	+ 197	- 45	0	0	0	0
Bolivia	69 + 5.7	+ 7.0	+ 16	- 75	+ 34	1	0	0	0
Brazil	62 + 4.0	+ 37.0	- 28	+ 17	+ 67	0	0	0	0
Brazil	59 - 1.1	+ 22.0	+ 174	+ 52	+ 33	1	0	0	0
Chile	71 + 1.1	+ 27.0	- 76	+ 412	- 25	0	0	0	0
Chile	70 0	+ 18.0	+ 6	- 193	- 60	0	0	0	0
Ecuador	70	+ 3.8	- 77	+ 42	+ 17	0	0	0	0
Guyana	71	+ 2.8	+ 35	- 85	- 45	1	0	0	0
Haiti	64 - 4.1	+ 4.4	- 190	+ 666	+ 77	0	0	0	0
Mexico	69 + 3.6	+ 3.8	+ 2	+ 76	+ 100	0	0	0	0
Mexico	67 + 8.0	+ 2.0	- 107	+ 117	- 186	0	0	1	0
Mexico	65 + 1.9	+ 1.0	+ 27	+ 83	+ 7	0	0	0	0
Mexico	60 + 4.3	+ 5.9	- 368	- 21	+ 140	0	0	0	0
Peru	70 - 1.8	+ 10.0	- 26	- 40	+ 31	0	0	0	0
Peru	69 + 3.8	+ 9.3	- 54	- 26	+ 18	0	0	0	0
Peru	68 + 1.9	+ 17.0	-3380	+ 104	+ 450	0	0	0	0
Algeria	71		- 165	+ 29	- 37	0	0	0	0
Algeria	69	- 1.9	+ 31	+ 50	+ 311	0	0	0	0
Algeria	67					0	0	0	0
Iraq	64 + 5.8	+ 1.6	- 129	- 104	+ 51	0	0	0	0
Iraq	63 -18.6	+ 24.0	- 147	- 42	- 50	0	0	0	0
Iraq	61 -37.0	+ 63.0	+ 142	- 77	+ 19	0	1	0	0
Libya	71 +30.0	+ 5.1	- 130	- 526	- 8	0	0	0	0
Libya	70 + 7.0	+ 7.2	- 26	- 143	- 100	0	0	0	0
Libya	69 +15.0	+ 7.5	- 25	- 54	- 100	0	0	0	0
Syria	65 +23.0	- 3.9	+ 87	+ 124	- 82	1	0	1	1
UAR/Egypt	63 + 5.6	+ 1.0	+ 30	+ 144	- 289	0	0	0	0
UAR/Egypt	61 +11.0	0	+ 37	+ 200	- 106	0	0	0	0
Yemen,P.D.R.	69	+ 1.9	+ 17			0	0	0	0
Burma	64 - 0.9	+ 3.0	- 83	+ 82	- 34	0	0	0	0
Burma	63 + 4.5	+ 12.0	- 136	- 565	+ 6	0	0	1	0
Cambodia	67 - 2.0	+ 2.0	- 20	+ 95	+ 11	0	0	0	0
Ceylon	64 - 2.1	+ 1.8	+ 57	- 505	- 22	0	0	0	0
Ceylon	62 +11.0	0	- 51	+ 50	- 17	1	0	0	0
India	71	+ 2.6	+ 36	- 70	- 64	0	0	0	0
Indonesia	64 + 1.9	+ 31.0	- 752	- 155	+ 131	0	0	0	0
Gongo	70	+ 3.6	- 22			0	0	0	0
Dahomey	69		- 36	+ 71	+ 3	0	0	0	0
Guinea	61					1	0	0	0
Sierra Leone	70 + 1.8	+ 4.9	+ 2	+ 31	- 11	1	0	0	1
Somalia	70		- 17	+ 33	+ 16	0	0	1	0
Sudan	70 - 5.3		+ 11	+ 133	- 12	0	0	1	0
Tanzania	71 + 3.6	+ 4.3	- 58	+ 90	- 78	0	0	0	0
Tanzania	67 +18.4	+ 2.0	+ 138	- 409	- 57	0	0	0	0
Uganda	70 0	+ 3.2	+ 38	+ 4	- 28	0	0	0	0
Zaire	66					0	0	0	0
Zambia	70 + 2.4	+ 4.9	- 86	+ 100	+ 100	0	0	0	0
Zambia	69 +10.5	+ 9.8	- 27	- 123	+ 100	0	0	0	0

Key: Expro.Yr.: Year of Expropriation event
GNP: Annual % change of GNP/capita
Infl.: Annual % rate of inflation
Trade: Annual % change of net trade
In goods and services
Dir. In.: Annual % change in net
foreign direct investment

* F.Aid: Annual % change in net
unrequited transfers
* Reg.L: Regular regime change to left
* Irr.L: Irregular regime change to left
* Reg.R: Regular regime change to right
* Irr.R: Irregular regime change to right

Sources: IMF Balance of Payments Yearbook, International Financial Statistics, U.S.
Statistical Yearbook--see bibliography for political sources.

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TABLE VI - DATA FOR YEAR T-4, FOUR YEARS BEFORE EXPROPRIATION EVENT
Annual Percentage Change of Economic Variables and Number of Political Regime Changes

Country&Expro.Yr	GNP	Infl.	Trade	Dir. In.	F.Aid	Reg.L	Irr.L	Reg.R	Irr.R
Argentina	63	- 7.0	+114.0	+ 105	+ 209	+ 400	0	0	0
Bolivia	71	+ 2.7	+ 12.0	- 27	+ 51	- 41	0	0	0
Bolivia	69	+ 3.9	+ 3.0	- 23	+1131	- 37	0	0	0
Brazil	62	+ 3.1	+ 15.0	+ 7	- 17	- 25	0	0	0
Brazil	59		+ 20.0	+ 89	+ 47	+ 50	0	0	1
Chile	71	0	+ 18.0	+ 6	- 193	- 60	0	0	0
Chile	70	+ 4.8	+ 23.0	- 108	+ 52	+1100	0	0	0
Ecuador	70		+ 4.0	+ 21	+ 46	- 7	1	1	0
Guyana	71		+ 2.9	+ 19	+ 17	- 35	0	0	0
Haiti	64	+ 4.3	- 5.3	-3980	- 84	- 59	0	0	0
Mexico	69	+ 2.8	+ 3.9	+ 3	- 70	+ 100	0	0	0
Mexico	67	+ 2.0	+ 1.0	- 27	- 11	- 147	0	0	0
Mexico	65	+ 0.9	+ 1.8	+ 33	+ 396	- 22	0	0	0
Mexico	60	+ 3.3	+ 4.9	- 131	+ 42	- 67	0	0	0
Peru	70	+ 3.8	+ 9.3	- 54	- 26	+ 18	0	0	0
Peru	69	+ 1.9	+ 17.0	-3380	+ 104	+ 450	0	0	0
Peru	68	+ 3.0	+ 10.0	+ 105	+ 24	- 50	1	0	1
Algeria	71		+ 1.0	+ 38	+ 153	- 47	0	0	0
Algeria	69		+ 5.0	- 49	+ 159	- 57	0	0	1
Algeria	67						1	0	0
Iraq	64	-18.6	+ 24.0	- 147	- 42	- 50	0	0	0
Iraq	63	-13.7	+ 17.0	- 39	+ 128	- 224	0	0	0
Iraq	61	+45.0	- 25.0	- 386	+ 204	- 40	0	0	0
Libya	71	+ 7.0	+ 3.5	+ 26	+ 143	- 100	0	0	0
Libya	70	+15.0	+ 7.5	+ 26	- 54	- 100	0	0	0
Libya	69	+24.0	+ 6.0	+ 572	- 160	- 63	0	0	0
Syria	65	+ 8.0	+ 3.0	+ 6	- 400	+ 42	0	0	1
UAR/Egypt	63	+ 7.0	0	- 123	-1840	+ 583	0	0	0
UAR/Egypt	61	- 1.1	+ 4.2	+ 32	- 95	- 62	0	0	0
Yemen, P.O.R.	69		+ 1.0	- 28			0	0	0
Burma	64	+ 4.5	+ 12.0	- 136	- 565	+ 6	0	0	0
Burma	63	+11.0	- 11.0	+ 8	+ 195	- 27	0	0	1
Cambodia	67	+ 5.3	+ 6.4	+ 53	- 142	- 1	0	0	0
Ceylon	64	+ 4.4	- 1.0	- 23	+ 123	+ 20	0	0	0
Ceylon	62	- 5.8	+ 2.0	+ 17	+ 60	+ 106	0	0	0
India	71		+ 13.0	- 14	+ 25	- 65	1	0	0
Indonesia	64	- 1.0	+ 30.0	- 228	+2100	+ 53	0	0	0
Congo	70		+ 4.4	- 12			0	0	0
Dahomey	69						1	0	1
Guinea	61						0	0	0
Sierre Leone	70	+ 2.8	+ 4.3	+ 21	+ 65	- 22	0	0	0
Somalia	70			+ 32	+ 6	- 41	0	0	0
Sudan	70			- 35	- 91	- 29	0	0	0
Tanzania	71	+ 1.8	+ 1.8	- 106	- 164	+ 239	0	0	0
Tanzania	67	+11.3	- 2.9	+ 189	- 38	- 48	0	0	0
Uganda	70	+ 2.9	- 0.8				0	1	0
Zaire	66						0	0	0
Zambia	70	+10.5	+ 9.8	- 27	- 123	+ 100	0	0	0
Zambia	69	+14.0	+ 8.7	- 2	+ 123	- 465	0	0	0

Key: Expro.Yr.: Year of Expropriation event * F.Aid: Annual % change in net
 GNP: Annual % change of GNP/capita * unrequited transfers
 Infl.: Annual % rate of inflation * Reg.L: Regular regime change to left
 Trade: Annual % change of net trade * Irr.L: Irregular regime change to left
 in goods and services * Reg.R: Regular regime change to right
 Dir. In.: Annual % change in net * Irr.R: Irregular regime change to right
 foreign direct investment *

Sources: IMF Balance of Payments Yearbook, International Financial Statistics, U.N.
 Statistical Yearbook-see bibliography for political sources.

TABLE VII
REGIME CHANGES AND DIRECTION

Year of Regime Change	Change to Left	Change to Right	Total
T ₀ , year of expropriation	8	3	11
T ₋₁ , 1 year before exprop.	11	6	17
T ₋₂ , 2 years before exprop.	8	5	13
T ₋₃ , 3 years before exprop.	8	7	15
T ₋₄ , 4 years before exprop.	7	8	15
Total	42	29	71

Source: Tables II-VI

TABLE VIII:

POLITICAL CHARACTER OF EXPROPRIATING REGIME AND LENGTH OF TIME IN

POWER BEFORE EXPROPRIATION EVENT

Country&Expro.Yr	Reg. Left	Irreg. Left	Reg. Right	Irreg. Right	Yrs. in Power Before Expro. Event (fractions counted as whole yrs.)
Argentina	63	X			1
Bolivia	71		X		1
Bolivia	69		X		1
Brazil	62			X	1
Brazil	59	X			4
Chile	71	X			1
Chile	70	X			6
Ecuador	70			X	2
Guyana	71	X			6
Haiti	64			X	8
Mexico	69			X	5
Mexico	67			X	3
Mexico	65			X	2
Mexico	60	X			2
Peru	70		X		2
Peru	69		X		1
Peru	68		X		1
Algeria	71			X	6
Algeria	69			X	4
Algeria	67			X	3
Iraq	64		X		2
Iraq	63		X		1
Iraq	61	X			4
Libya	71		X		2
Libya	70		X		1
Libya	69		X		1
Syria	65		X		2
UAR/Egypt	63		X		10
UAR/Egypt	61		X		8
Yemen,P.D.R.	69		X		1
Burma	64		X		3
Burma	63		X		2
Cambodia	67	X			8
Ceylon	64	X			4
Ceylon	62	X			2
India	71	X			6
Indonesia	64	X			15
Congo	70		X		3
Dahomey	69	X			1
Guinea	61	X			4
Sierra Leone	70		X		3
Somalia	70		X		1
Sudan	70		X		2
Tanzania	71	X			10
Tanzania	67	X			6
Uganda	70	X			8
Zaire	66			X	2
Zambia	70	X			7
Zambia	69	X			6

Source: Tables II-VI and political sources in Bibliography

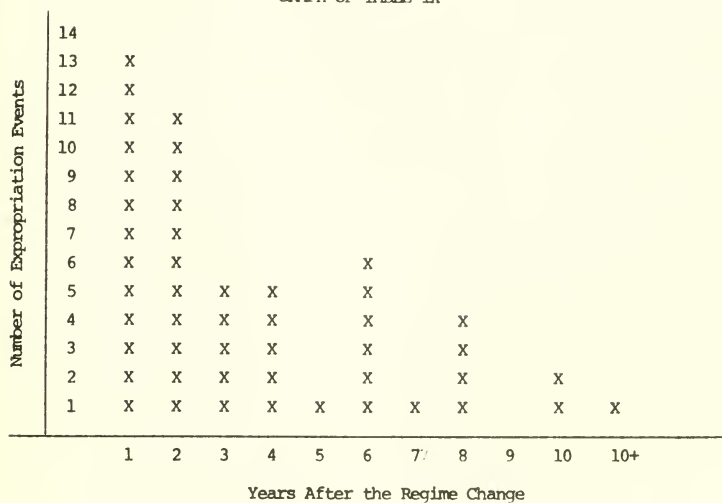
TABLE IX

EXPROPRIATION EVENTS AS A FUNCTION OF TIME FOLLOWING A REGIME CHANGE

<u>Time Following a Regime Change in Years</u> <u>(fractions counted as whole years)</u>	<u>Number of Expropriation</u> <u>Events</u>
1	13
2	11
3	5
4	5
5	1
6	6
7	1
8	4
9	0
10	2
10+	1

Source: Table VII

CHART I
GRAPH OF TABLE IX



Source: Table IX

TABLE X

AVERAGE ANNUAL GNP/CAPITA GROWTH RATE IN COUNTRIES WITH
SHORT AND LONG TERM REGIMES

<u>Year</u>	<u>In Power 0-2 Yrs.</u>	<u>In Power 2+ Yrs.</u>	<u>Total</u>
T ₀	+2.14	+1.53	+1.81
T ₋₁	+2.14	+2.89	+2.56
T ₋₂	+5.45	+2.12	+3.68
T ₋₃	+5.67	+1.13	+3.19
T ₋₄	+2.45	+6.91	+4.68

Source: Tables II-VI

TABLE XI

AVERAGE ANNUAL RATE OF INFLATION IN COUNTRIES WITH
SHORT AND LONG TERM REGIMES

<u>Year</u>	<u>In Power 0-2 Yrs.</u>	<u>In Power 2+ Yrs.</u>	<u>Total</u>
T ₀	+9.29	+10.62	+10.05
T ₋₁	+9.49	+10.67	+10.15
T ₋₂	+12.60	+11.97	+11.30
T ₋₃	+10.56	+ 8.19	+ 9.26
T ₋₄	+13.69	+ 4.93	+ 8.80

Source: Tables II-VI

TABLE XII

PERCENTAGE OF COUNTRIES WITH SHORT AND LONG TERM REGIMES SHOWING
AN INCREASE IN NET TRADE IN GOODS AND SERVICES

<u>Year</u>	<u>In Power 0-2 Yrs.</u>	<u>In Power 2+ Yrs.</u>	<u>Total</u>
T ₀	63.6	22.9	46.8
T ₋₁	65.2	48.0	56.3
T ₋₂	50.0	52.0	51.1
T ₋₃	31.8	58.3	45.7
T ₋₄	57.1	39.1	47.7

Source: Tables II-VI

TABLE XIII

PERCENTAGE OF COUNTRIES WITH SHORT AND LONG TERM REGIMES SHOWING
AN INCREASE IN NET FOREIGN DIRECT INVESTMENT

<u>Year</u>	<u>In Power 0-2 Yrs.</u>	<u>In Power 2+ Yrs.</u>	<u>Total</u>
T ₀	45.5	41.7	43.5
T ₋₁	43.5	58.3	51.1
T ₋₂	38.1	58.3	48.9
T ₋₃	52.4	65.2	59.1
T ₋₄	60.0	54.5	57.1

Source: Tables II-VI

TABLE XIV

PERCENTAGE OF COUNTRIES WITH SHORT AND LONG TERM REGIMES SHOWING AN
INCREASE IN NET UNREQUITTED TRANSFERS

<u>Year</u>	<u>In Power 0-2 Yrs.</u>	<u>In Power 2+ Yrs.</u>	<u>Total</u>
T ₀	61.9	50.0	57.8
T ₋₁	45.5	41.7	43.5
T ₋₂	47.6	37.5	42.2
T ₋₃	57.1	43.5	50.0
T ₋₄	25.0	40.9	33.2

Source: Tables II-VI

FOOTNOTES

¹National Industrial Conference Board, Obstacles and Incentives to Private Foreign Investment, 1967-1968, Vol. I, (Business Policy Study No. 130. New York: National Industrial Conference Board, 1969).

²Richard D. Robinson, International Business Management: A Guide to Decision Making (New York: Holt, Rinehart and Winston, Inc., 1973), p. 374.

³Monroe Leigh, "Expropriation of Foreign-Owned Investment -- Recent Trends," Symposium: Private Investors Abroad, Virginia Shook Cameron, (ed.) (Southwestern Legal Foundation, New York: Matthew Bender, 1973), pp. 197-245.

⁴Andreas F. Lowenfeld (ed.), Expropriation in the Americas (New York: Dunellen, 1971).

⁵Lee Charles Nehrt, The Political Climate for Private Foreign Investment (New York: Praeger Publishers, 1970), p. 15.

⁶Stefan H. Robock, "Political Risk: Identification and Assessment," Columbia Journal of World Business, July-August, 1971, pp. 6-20.

⁷Ibid., p. 16.

⁸Robert B. Stobaugh, Jr., "How to Analyze Foreign Investment Climates," Harvard Business Review, September-October, 1969, pp. 100-108.

⁹John Frederick Truitt, "Expropriation of Private Foreign Investment: A Framework to Consider the Post World War II Experience of British and American Investors" (unpublished Ph.D. dissertation, Indiana University, Graduate School of Business, 1969, p. 231.

¹⁰Robock, op. cit., pp. 12-13.

¹¹Truitt, op. cit., pp. 77-80.

¹²Robock, loc. cit., and Truitt, op. cit., pp. 229-230.

¹³Robock, op. cit., p. 12, and Truitt, op. cit., p. 96.

¹⁴Robock, op. cit., pp. 15-16.

¹⁵Daniel Lerner, The Passing of Traditional Society (New York: The Free Press, 1958), p. 288.

¹⁶Franklin R. Root, "The Expropriation Experience of American Companies," Business Horizons, April, 1968, p. 72.

¹⁷Charles P. Kindleberger, American Business Abroad, (New Haven: Yale University Press, 1969), pp. 150-151.

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